

# Appendix A



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Date: May 4, 2021

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Subject: **City of Alameda – North Shoreline Funding Options**

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Climate change is presenting a myriad of challenges to communities around the world. Of particular concern for some communities is the threat of significant rise in sea level (commonly abbreviated as “SLR”), which would inundate low-lying areas. The island city of Alameda, California with its flat topography, is especially vulnerable to this phenomenon and is taking steps to plan mitigation measures. One of those areas of concern is the northern shoreline areas – particularly in the vicinity of the Webster and Posey Tubes.

These vehicular routes are two of the most heavily-traveled connectors from Alameda to the rest of the Bay Area, and a long-term inundation of those facilities would be devastating to the City. In addition, the North Shoreline is a place where people live, work and play. This adds even more urgency to meeting the challenge of sea level rise.

SCI is part of the Wood Rogers consultant team hired to provide engineering services for the North Shoreline Adaptation Project (“Project”). SCI’s role is to provide recommendations for funding for the Project. This technical memorandum will provide this information.

## **FUNDING OVERVIEW**

The challenge at hand has many facets: transportation, housing, commerce, and recreation. Each facet represents multiple stakeholders in the form of facility owners, users, impacted entities and other stakeholders. The possibilities for garnering funds for the solution(s) are similarly manifold. In addition, no single source will be likely to provide sufficient funding for the entire project. As such, the City will probably be best served by developing multiple, simultaneous funding strategies – a portfolio approach. In the following sections, this memorandum identifies many funding mechanisms and strategies, which can be employed to build a funding portfolio.

## **RESPONSIBLE PARTIES – WHO SHOULD PAY**

City - invested in protecting the interests of its citizens  
State (Caltrans) - responsible for the Webster and Posey Tubes (SR 61)  
Local Affected Property Owners - responsible for protecting their own property (either public or private)  
Local Community - benefits from access to and from Alameda  
Other Stakeholders - users of the recreational facilities, and businesses likely to be impacted by SLR who have no responsibility but will be impacted, nonetheless.

## FUNDING OPPORTUNITIES AND OVERVIEW

Funding opportunities and strategies are categorized into three groups: 1.) Local revenue; 2.) grants; and 3.) partnerships. These groups are not mutually exclusive, and a blending of these strategies may prove to be the best path forward – again, the portfolio approach.

### ***1.) Local Revenue***

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Local revenues include the more traditional mechanisms such as taxes, fees, and assessments. Below is a summary of the more common types. Each local revenue source in this section requires voter approval in the form of a ballot measure. As such, implementation can be tough to achieve – particularly when the voter approval threshold is a two-thirds supermajority.

Benefit Assessment: Proposition 218-compliant benefit assessments are the most common way to fund flood control in California. They are most used for smaller districts and not municipality wide. There are some limitations on use of debt to finance improvements. Approval requires 50% of affected property owners. The law requires that benefits accrued to property owners outside the district and the public at large be funded by outside sources such as the City’s General Fund. For this project, there may be large general benefit calculated due to the Webster and Posey Tubes presence. This could limit the true revenue potential for this mechanism.

Special Taxes: These include taxes levied for special purposes (such as this project) and generally require a two-thirds supermajority approval by voters. These include parcel taxes, Community Facilities Districts “CFDs” (also known as Mello-Roos taxes), sales taxes, utility users’ taxes, transient occupancy taxes.

General Obligation (GO) Bond: Voter-approved GO Bonds are the most common way to fund large infrastructure in California. They are very well-suited for financing. Although they cannot be used to fund operations and maintenance, that is a minor consideration for this type of project. Approval requires a two-thirds supermajority of affected registered voters.

Enhanced Infrastructure Finance District (EIFD): EIFDs have emerged as a potential replacement for Redevelopment Agencies which were eliminated in 2012. Cities and counties may create EIFDs to capture ad valorem tax increments, similar to the now-defunct Redevelopment Agencies, to invest within the specific District boundaries or out-of-area projects that have a tangible benefit to the District. EIFDs are not limited to blighted areas and can directly, or through bond financing, fund local infrastructure including highways, transit, water systems, sewer projects, flood control, libraries, parks, and solid waste facilities. However, similar to grant funding and certain bond financing, EIFD funding cannot be used for ongoing operations and maintenance of facilities. EIFDs can be formed jointly with other agencies such as neighboring cities, the County, or special districts (school districts are prohibited from participating). EIFDs do not require voter approval unless bonds are to be issued (as is likely in this case) in which case a 55% voter support is needed.

### ***2.) Grant Opportunities***

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Grants can be a very valuable tool to use when putting together a funding portfolio. Grants typically apply to capital projects but can occasionally become available for other programmatic activities. These opportunities for flood control and sea level rise have been rare in the past but are becoming more common. It is worth noting that grants often come with other financial requirements such as matching funds or requirements to fund post-project operations and maintenance. Grants are also competitive, so the City’s North Shoreline project would need to compete against other pertinent projects for any grants.

Below are some grant programs worth considering. The City is advised that grant opportunities are dynamic and will require continued monitoring.

***Grant Opportunities -State Programs***

Proposition 68 SF Bay Climate Funds:

Proposition 68 allocated \$14 million in grant funding to the Coastal Conservancy's San Francisco Bay Area Climate Adaptation Program. \$5.7 million is currently available, 15% of which is reserved for Disadvantaged Communities. \$5.8 million will also become available over the next three years. There is no matched funding requirement for proposals and grants up to \$1 million will be considered. Funds may be used for both project planning and implementation.

Projects must achieve one or more purposes of the Conservancy's Climate Ready Program, which highlights the importance of improving a community's ability to adapt to the unavoidable impacts of climate change such as sea level rise. Priority will be given to applications that advance the goals of the SF Bay Conservancy, which include improving public access, conserving and enhancing open space resources of regional importance, and providing recreational and educational opportunities in open space accessible to urban populations. One goal of the Alameda NSA project, to "protect and enhance the SF Bay Trail, waterfront access, and other recreational and place-making opportunities such as nature-based adaptation solutions," aligns nicely with the guidelines of this grant opportunity.

All grant applicants must submit a short pre-proposal grant application, accepted on a rolling basis starting Jan 1, 2021. Successful pre-proposals will be awarded eligibility to apply. Potential applicants are encouraged to first reach out to the Regional Manager of their project area, which is Moira McEnespy for the San Francisco Bay Area ([moira.mcenespy@scc.ca.gov](mailto:moira.mcenespy@scc.ca.gov)).

Coastal Resource and Public Access Program:

The Coastal Conservancy also issues grants on an ongoing basis for projects that improve public access and climate resiliency. The Coastal Resource and Public Access program is funded by various Propositions as well as the state's general fund. There is currently \$15 million available, with maximum grant amounts and matched funding requirements varying by the funding source. Projects that achieve multiple benefits are prioritized. Funding may be used for both project planning and implementation. Moira McEnespy is the Bay Area's regional contact for general opportunities as well as the Climate Funds Program.

Floodplain Management, Protection, and Risk Awareness Grant Program (future program):

The Department of Water Resources is expected to open solicitation this summer for the Floodplain Management, Protection, and Risk Awareness Grant Program. Funded by Proposition 68, grants will support local agencies efforts to prepare for flooding events related to stormwater, mudslides, and other flash flood related protections. Priority will be given to flood risk reduction projects located in FEMA special flood hazard areas, making this opportunity especially relevant to the City of Alameda. Construction of projects must not have begun prior to application, and funds may be used for planning and implementation. Multi-benefit projects will also be prioritized. \$25 million is expected to be available state-wide, with a 25% locally matched funding requirement.

Integrated Regional Water Management Implementation (IRWM) Program (future program):

The Department of Water Resources manages the IRWM grant program, which offers funding for water resource management and climate change adaptation. Round II Solicitation of Proposition 1 funding is expected to open in late 2021, with \$29.3 million allocated for the San Francisco Bay Area. Eligible projects include a variety of acceptable types, and while flood management is among them, protection

or restoration of natural ecosystems is prioritized as well. Round I awards, announced in April 2020, included nearly \$3 million for a flood protection and ecosystem restoration project of the San Francisquito Creek on the Peninsula. Grant applications are submitted by an IRWM Region representative, and as sub-applicants, local agencies are required to adopt an IRWM plan in accordance with state guidelines.

California State Parks Shoreline Erosion Control Program (future program):

The California State Park Division of Boating and Waterways administers the Shoreline Erosion Control program, which offers grants to public agencies for a wide variety of erosion control methods including seawalls. Construction projects that blend in with natural surroundings as much as possible are favored. The DBW Incorporates climate change and sea level rise into considerations. 50 years is a reasonable long term horizon timeline for DBW's purposes, but the appropriate timeline may be different for different sites. There is no pre-defined maximum grant amount, and grants require a 50% local cost share of nonfederal project funds. Funding announcements are typically released in the summer for the following fiscal year, and funding amounts vary greatly on a yearly basis.

Pending State Legislation in support of a Proposed "Climate Resiliency" Bond Measure:

1. SB 45

*"SB 45 would enact the Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$5,595,000,000 pursuant to the State General Obligation Bond Law to finance projects for a wildfire prevention, safe drinking water, drought preparation, and flood protection program.*

*This bill would provide for the submission of these provisions to the voters at the November 8, 2022, statewide general election."*<sup>1</sup>

2. AB 1500

*"AB 1500 would enact the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$6,955,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, and workforce development programs.*

*This bill would provide for the submission of these provisions to the voters at the June 7, 2022, statewide primary election."*<sup>2</sup>

**Grant Opportunities - Federal Programs**

404 Hazard Mitigation Grant Program: FEMA provides Hazard Mitigation Grants via the California Office of Emergency Services. Potential applicants should first submit a notice of interest (NOI). The NOI is intended to provide an opportunity to propose well-defined mitigation actions that reduce risk to life and property from future natural hazards. Sub-applicants must have a FEMA-approved Local Hazard Mitigation Plan. NOIs may be submitted at any time and will be reviewed and considered for the next

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<sup>1</sup> Open States website: <https://openstates.org/ca/bills/20212022/SB45/>

<sup>2</sup> Open States website: <https://openstates.org/ca/bills/20212022/AB1500/>

available funding opportunity. The deadline for NOIs for the remaining \$500,000 in current funding is May 5, 2021, with more funding expected in the summer or fall.

Flood Mitigation Assistance Grants (future program):

FEMA provides Flood Mitigation Assistance Grants for projects that reduce or eliminate the risk of repetitive flood damage to buildings insured by the National Flood Insurance program. A FEMA-approved hazard mitigation plan is required for applicants, and projects are evaluated on cost-effectiveness and scale of benefit. \$200 million was made available last year, with an application period of September 2020-January 2021. A local cost share of 25% is typical.

The Building Resilient Infrastructure and Communities Program (BRIC) (future program):

FEMA also provides grants specifically for hazard mitigation from sea level rise and other potential natural threats. Projects that incentivize public infrastructure and mitigate risk to one or more lifelines are prioritized. A Notice of Funding Opportunity is typically released in late summer; last year \$500 million was made available with an application period of September 2020-January 2021. A local cost share of 25% is typical.

Pending Federal Legislation:

Drinking Water and Wastewater Infrastructure Act of 2021:

*“This week the Senate overwhelmingly passed, S.914, the Drinking Water and Wastewater Infrastructure Act of 2021 by a vote of 89-2. The legislation authorizes more than \$35 billion through fiscal year 2026 for water development projects across the country, with a focus on upgrading aging infrastructure, addressing the threat of climate change, investing in new technologies, and providing assistance for disadvantaged communities. ASCE strongly supported the legislation, as it would make significant investments in our nation’s drinking water, wastewater, and stormwater infrastructure. The bill now heads to the House for a vote, though the House is working on its own water legislation; the Water Quality Protection & Job Creation Act of 2021 would authorize \$50 billion in wastewater funding – including a \$40 billion reauthorization of the Clean Water State Revolving Fund program. ASCE’s 2021 Report Card found that many of the nation’s water systems remain in the D range, with wastewater receiving a ‘D+,’ stormwater a ‘D,’ and drinking water a ‘C-.’”<sup>3</sup>*

### **3.) Partnership Strategies**

Partnerships with other entities (public or private) can be a powerful way to leverage some of the various funding sources listed above. Partners can contribute existing funding, project elements of public (and political) interest, expertise, access to financing, etc. The City’s Northern Shoreline Project is ideal for a partnering approach due to its varied elements: transportation, housing, commerce, and recreation.

One of the primary potential partners is Caltrans. The Webster and Posey Tubes are part of State Route 260 (labeled as SR 61 in some cases). In a recent their Adaptation Priorities Report (December 2020), they list this section of SR 260 as the highest priority roadway section in district 4, which encompasses all of the Bay Area.<sup>4</sup> Although the Report does not discuss how these high-priority projects will be pursued, Caltrans may be interested in a partnership that could move this project forward.

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<sup>3</sup> American Society of Civil Engineers, website, Government Relations, This Week in Washington, April 30, 2021

<sup>4</sup> Report found here: <https://dot.ca.gov/programs/transportation-planning/2020-adapation-priorities-reports> on the District 4 tab. Priorities found in Table 7, Page 35. However, it should be noted that there are 19 bridge projects with a higher priority score (Table 8, Page 41).

Caltrans, as with many other State agencies, has access to a multitude of funding programs from annual appropriations to new legislation. When partnered with other agencies that also bring some partial resources or funding, this can make a very competitive project.

Other partnerships worth considering are with the City of Oakland, the Port of Oakland, the development community, non-profit entities with common interests, and various regulatory agencies (BCDC, Water Board, etc.). At the very least, discussions should be initiated with each of these potential partners if for no other reason than to pick their “brains” about other potential funding strategies.